

Fiscal Note

Fiscal Services Division



SF 2388 – Health Care Access Assessment (LSB 6248SV)

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Fiscal Note Version – as passed by the Senate

Description

Senate File 2388 creates a Hospital Health Care Access Assessment Program and imposes a Hospital Health Care Access Assessment to non-State owned hospitals paid on a Prospective Payment System (PPS) basis by Medicare and Medicaid. The assessment is based on 1.26% percent of net patient revenue as specified by the FY 2008 Medicare cost report and effective July 1, 2010, or retroactive to that date, based on approval by the federal Center for Medicare and Medicaid Services. The Bill establishes a Hospital Access Trust Fund for the assessment proceeds and establishes a board to make recommendations regarding the Program. The Bill provides for reimbursement for PPS hospitals up to the federal Upper Payment Limit (UPL); the rebasing of hospital rates in October of FY 2011 (FY 2012); and annualizes the rebase in FY 2013.

Assumptions

- The assessment rate is 1.26% percent of net patient revenue.
- The assessment would generate \$40.0 million in revenue.
- The State would use approximately \$19.5 million of the revenue to reimburse hospitals up to the UPL in FY 2012 and \$25.9 million in FY 2012 and FY 2013. These funds would be matched to draw additional federal revenue.
- The State would use \$4.5 million in FY 2012 and \$6.0 million in FY 2013 to rebase hospitals. Both amounts are capped by the Bill.
- Most hospitals will experience a net gain from this Bill because the additional Medicaid payments will be more than the assessment paid. However, hospitals with a low percentage of Medicaid will experience a net loss because the Medicaid payments received will not be enough to offset the assessment on non-Medicaid revenue.
- The State share of the Federal Medical Assistance Percentage (FMAP) is projected to be 29.70% for FY 2011; and 37.37% in FY 2012 and FY 2013. This includes the FMAP adjustment in the American Recovery and Reinvestment Act of 2009.

Fiscal Impact

The assessment, if approved, is estimated to generate revenue of \$40.0 million annually to the Hospital Access Trust Fund beginning in FY 2011. The net gain to the State after reimbursing hospitals and rebasing is \$19.5 million in FY 2011, \$9.7 million in FY 2012, and \$8.2 million in FY 2013.

The assessment and corresponding reimbursement payments will generate additional federal funds for Iowa as explained in the assumptions. See details in the following chart.

Hospital Health Care Access Assessment

	State	Federal	Assessment
FY 2011 Assumed FMAP	29.70%	70.30%	1.26%
Revenue:	State	Federal	Total
Health Care Access Assessment (1.26%)*	\$ 40,000,000	\$ 0	\$ 40,000,000
Expenditures:			
Reimburse to UPL	\$ 20,542,883	\$ 48,625,074	\$ 69,167,957
Net Gain/Loss**	\$ 19,457,117	\$ -48,625,074	\$ -29,167,957
	State	Federal	Assessment
FY 2012 Assumed FMAP	37.37%	62.63%	1.26%
Revenue:	State	Federal	Total
Health Care Access Assessment (1.26%)*	\$ 40,000,000	\$ 0	\$ 40,000,000
Expenditures:			
Reimburse to UPL	\$ 25,848,066	\$ 43,319,891	\$ 69,167,957
Rebase	4,500,000	7,541,745	12,041,745
Total Hospital Expenditures	30,348,066	50,861,636	81,209,702
Net Gain/Loss**	\$ 9,651,934	\$ -50,861,636	\$ -41,209,702
	State	Federal	Assessment
FY 2013 Assumed FMAP	37.37%	62.63%	1.26%
Revenue:	State	Federal	Total
Health Care Access Assessment (1.26%)*	\$ 40,000,000	\$ 0	\$ 40,000,000
Expenditures:			
Reimburse to UPL	\$ 25,848,066	\$ 43,319,891	\$ 69,167,957
Rebase	6,000,000	10,055,660	16,055,660
Total Hospital Expenditures	31,848,066	53,375,551	85,223,617
Net Gain/Loss**	\$ 8,151,934	\$ -53,375,551	\$ -45,223,617
*The Health Care Access Assessment is subject to change with the addition of two new hospitals and the closing of one. The impact cannot be estimated, but it is expected to be a net gain to the State.			
** Total net loss represents the net loss to the State and federal Governments and is equal to the net gain for the 34 Prospective Payment System hospitals.			

Sources

Department of Human Services
Iowa Hospital Association
LSA Analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Hospital Assessment Chart

